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13 September 1951

CIA No. 49344

143

**DAILY DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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DIA and DOS Reviews Completed

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SECTION 1 (SOVIET)

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1. USSR. Captured courier claims Russians concentrating for attack: On 7 September ROK police reportedly arrested a North Korean courier en route to "guerrilla headquarters" in South Korea. The courier allegedly carried a verbal message as follows: "Carry on with present operations - Soviets to concentrate all strength in Vladivostok for coming attack." [REDACTED]

Comment: It is highly unlikely that such a message would be sent unless it were solely propaganda intended for morale building purposes among the guerrillas.

2. American Embassy in Moscow comments on Berlin situation: The American Embassy in Moscow agrees with HICOG's estimate of the USSR's motives for imposing a road tax on traffic to and from Berlin. Soviet harassing tactics may be more than a probing operation, and if not firmly checked might lead to a situation similar to that in 1948.

The embassy also concurs with HICOG's proposal for a tripartite protest to the Soviet Union as a matter of record but feels that the USSR will probably point out that this is an internal affair of the East German Republic in which they are unable to intervene. (S State 431 Moscow, Sep 11 51)

Comment: U.S. officials in Germany believe that recent Soviet restrictions could constitute a series of steps designed to lead progressively to a new blockade. There is no clear evidence, however, that the restrictions have any other purpose than their long-range adverse effect on the West Berlin economy, with accompanying harassment of the Allied authorities there.

3. Soviet Union protests against French policy on Germany: On 11 September Vyshinsky handed a note to the French Charge protesting against French policy on German rearmament. The note stated that such a policy was contrary to both the Franco-Soviet treaty of 1944 and the Potsdam agreement. The note's principal targets were the Pleven and Schuman plans for allegedly fostering German remilitarization and allowing development of the German economic-military potential. French cooperation with the U.S. and Great Britain on West German policy also was criticized.

American officials in Moscow believe it may be significant that

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the note was released on the eve of the Washington tripartite talks in view of the note's stress on the way the Munich agreement undermined the Franco-Soviet treaty of 1935. (S State 434 Moscow, 11 Sep 51)

Comment: The French Government has anticipated a move of this nature and will undoubtedly refuse to change its present policy in any detail. There is no reason to believe that the USSR will denounce the Franco-Soviet treaty of 1944 at this time.

4. BULGARIA. Premier extols Bulgarian progress: Praise for the accomplishments of the Bulgarian Government, with no hint of criticism, highlighted Premier Vulko Chervenkov's keynote speech at the seventh Liberation Day celebration in Sofia on 9 September.

According to Chervenkov, industrial production reached prewar levels during 1946, and has now quadrupled. He boasted of sweeping advances in the machine building, electrical appliances, agricultural implements, chemicals and metal industries. He cited "enormous" increases in the production of electric power and claimed coal output to be three times that of 1949.

Allegedly the number of industrial workers is constantly increasing, and their attitude toward socialist labor is excellent. Consequently labor productivity has risen 23.8 percent during the past two years. The quality and assortment of goods is steadily improving. The average wage is rising with consequent improvement in living standards. Socialist trade is on the increase. The coupon system, already abolished for industrial goods, will be completely abolished.

Chervenkov stated that over half the land has been collectivized, with the cooperative farms averaging 200 families and 8,450 decares each. State collections of the harvest have already been overfulfilled. Two-thirds of the amounts delivered have come from the cooperatives. The total amounts delivered to the State "represent only an insignificant percentage of the amount harvested," thus leaving to the peasants "great amounts of cereals" of which they are the sole owners. (R FBID, 10 Sep 51)

Comment: Chervenkov's extravagant praise is a complete about-face from the preceding flood of government criticism of the failure of Bulgarian industry to meet production goals and the poor quality of goods produced. The unusually good crop year will undoubtedly prompt the government to ease the stringent rationing controls on foodstuffs. Deliveries to the State, however, will not be reduced.

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5. RUMANIA. Campaign against Vatican enters final stage: On 10 September TASS reported that a trial of ten persons accused of spying in Rumania for the United States, Great Britain and the Vatican had opened in Bucharest. The defendants include the Roman Catholic Bishop of Timisoara, the Canon of the Cathedral in Bucharest, a priest of Italian nationality, an Italian member of the staff of the Italian Legation in Bucharest, and other Catholic prelates in Rumania. According to the indictment and confessions, the spy ring was headed by Archbishop O'Hara, expelled from Rumania in July 1950. (U NY Times, 11 Sep 51)

Comment: Conviction of the defendants will remove all ranking Roman Catholic prelates in Rumania except Cisar, Archbishop of Bucharest, who has been under house arrest since May 1950. The omission of the Archbishop from this general clean-up trial may indicate the soundness of rumors circulated in Bucharest last spring that the Archbishop had capitulated to the Communists and would head a state-controlled Roman Catholic Church.

Inability of the Italian Legation in Bucharest to secure any information from the Rumanian Government as to the whereabouts of the two Italian citizens since their arrest early this year has strained diplomatic relations between the two countries almost to the breaking point (see OCI Daily Digest, 2 May 51).

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SECTION 2 (EASTERN)

1. ARAB STATES. Arab League interests itself in the Moroccan problem: At the meeting of the Arab League's Political Committee in late August it was decided that the League should continue to encourage friendly states to approach France in an effort to find a solution to the "Moroccan problem." If these efforts fail, the problem is to be brought to the UN. (C Cairo 302, 8 Sep 51)

Comment: The Arab League has long given encouragement to North African nationalism. France, insisting that Moroccan problems are strictly French affairs, nevertheless has tried not to arouse the Arabs. In their present mood, the Arabs might attempt to promote the Moroccan problem into the UN.

2. US-Arab relations damaged by Suez resolution: American relations with the Arab world have received a heavy blow as a result of US support of the UN resolution against Egyptian restrictions on Suez canal traffic. According to the US Ambassador in Cairo, the American stand has caused a renewal of Egyptian interest in the Palestine question and may have a bearing on US ability to help promote a settlement of the Anglo-Egyptian dispute. Once again there is a revival of talk about closer Arab-Soviet relations. (S Cairo 312, 11 Sep 51)

Comment: American officials in Iraq and Syria have likewise reported violent anti-Western reactions to the Suez resolution. These sentiments will make even less likely any accomplishment by the UN Palestine Conciliation Commission, currently meeting in Paris with Arab and Israeli representatives. Egyptian spokesmen, angered by the UN resolution, continue to issue uncompromising and bitter statements in reference to Anglo-Egyptian relations.

While the Arab states will hardly turn to the USSR, Arab frustrations and antipathy toward the West lend themselves to Soviet exploitation.

3. GREECE. Greek election returns: With nearly all civilian votes in, Field Marshal Papagos' "Greece Rally" has won an estimated 116 seats, Plastiras' EPEK 69, and Prime Minister Venizelos' Liberal Party 51. The Communist-dominated EDA won 11 seats, Tsaldaris 2 and the Agrarian Party 1. Military votes numbering 150,000 to 200,000 remain uncounted, but they probably will not substantially affect the relative standing of the parties. (C Athens 1194, 11 Sep 51)

Comment: The failure of Papagos to win an absolute majority of the

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260 seats will seriously handicap him in an attempt to form a government. The situation may result in an impasse and a new election, unless Papagos can obtain the support of one of the other two major parties, or unless the EPEK, Liberal and other parties either are supported by the Marshal or form a coalition directed against the Marshal. Moreover, the possibility exists that Papagos can lure deputies from the opposition to his banner.

4. ISRAEL. Israeli war maneuvers: Extensive Israeli military maneuvers began on 2 September. The first phase, conducted near Gaza, ended 5 September. A northern phase is scheduled to start about 20 September. Egypt has already filed a protest with the Israeli-Egyptian Mixed Armistice Commission. Similar protests are anticipated from Lebanon, Syria and Jordan. (C USARMA Ramat, MAI 573, 10 Sep 51)

Comment: The Israeli High Command, concerned over the vulnerability of Israel, puts considerable stock in these maneuvers. Arab protests will not be a deterrent.

5. Zionist Congress reveals considerable disagreement: Israeli editorials on the recently concluded Zionist Congress reveal a sense of frustration and dismay over the allegedly meager results. The Congress may have sharpened the basic ideological conflict between Israel's views and those of foreign western Jewry on the issue of necessity or desirability of mass immigration of all Jews to Israel.

The position of the western Jews was forcefully stated by Dr. Israel Goldstein, President of the World Confederation of General Zionists, who expressed his disappointment in the Congress and asserted that American Zionists were going home disturbed by the views of their Israeli colleagues. He decried the idea of mass immigration from the US and attacked the local provincial attitude which, believing Israel is all that counts, does not sufficiently consider problems and attitudes of foreign Jewry. (C USARMA Ramat, MAI 573, 10 Sep 51)

6. INDOCHINA. Election in Laos favors pro-Thai party: Incomplete returns on the 26 August election of National Assembly delegates give the relatively new Progressive Party more than one-third of the seats. A French official states that the Progressive Party bases its power largely on Laotian refugees who have returned from Thailand and who constitute potential pressure to associate Laos more closely with Thailand than in the past. (C Saigon 611, 11 Sep 51)

Comment: In economic and ethnic terms Thailand has a far greater attraction for Laos than does Indochina. The Laotian Foreign Minister told the US Charge in Vientiane that one of the principal reasons for the

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recent establishment of a Laotian Legation in Bangkok was to promote closer commercial relations between the two countries, pointing out that Laos is economically at the mercy of French importers and transportation interests. The Charge believes that the French will make every effort to block any development along these lines.

7. PHILIPPINES. Administration's prestige enhanced by treaty signatures: Philippine participation in the San Francisco conference and the conclusion of a security pact with the US add to a growing feeling of confidence in the Quirino regime and enhance the prospects for a Liberal Party victory in November, according to the US Embassy in Manila.

Although Nationalista Party candidates will continue vigorously to attack the Japanese treaty, there has, in fact, been general acceptance of it, and dissatisfaction with the reparation clause has faded to insignificance. (R Manila 996, 12 Sep 51)

Comment: Although Nationalista charges alleging Philippine subversion to the US have not in the past proved politically profitable, the party was encouraged to press this line, applying it to the Japanese treaty, by the furor that arose in the Philippines over the reparations issue.

8. CHINA. Polish vessel has sufficient bunkers to carry rubber to China: The Polish vessel Mickiewicz, which arrived in Colombo, Ceylon, on 9 September to load rubber, has 550 tons of bunker fuel on board, enough to carry a full cargo (about 5,800 tons) to China. (C Colombo 152, 10 Sep 51)

Comment: The difficulty encountered by Polish vessels in obtaining bunker fuel from US and British oil companies has, until now, prevented the lifting of Ceylonese rubber to Communist China. The source of the Mickiewicz's bunkers is not known.

9. Increased Chinese Communist air activity at Canton noted. RAF radar plots and visual sightings from Hong Kong reveal several flights of as many as ten aircraft at speeds of over 400 miles per hour on 6 and 7 September. The US Air Liaison Officer in Hong Kong comments that there has been marked increase in CCAF activity at Canton and that RAF radar cannot detect all Communist flights. He also points out that Chinese and English press stories of early September reported the arrival of twenty jet fighters at Canton and an increase of Soviet air force personnel to 500. (S USAIRLO Hong Kong, CALHK 433-GP 51, 7 Sep 51)

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10. First railway service in Szechwan Province: On 1 September, the Chinese Communists opened 164 kilometers of the Chungking-Chengtu railroad to traffic. Two trains a day are scheduled between Chungking and Yungch'uan. Construction of this 530 kilometer line, begun in August 1950, has been completed as far as Lungch'ang, 230 kilometers from Chungking, (R FBID Peiping and Chungking, 5 Sep and 11 Sep 51)

Comment: The deadline for completing this West China railroad, originally the end of 1951, probably has been extended well into 1952.

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11. KOREA. Communist dissension over policy reported in North Korea: [REDACTED]

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[REDACTED] Dissension at the command level is reported to exist in North Korea over two basic points. The Chinese feel that the introduction of European "volunteer" forces into the Korean war will challenge Chinese "benefits" which were to be derived from the conflict. The North Koreans are split into pro-Soviet and pro-Korean factions. The pro-Soviet North Koreans desire the introduction of a European "volunteer" force on the grounds that it will clinch Soviet domination in Korea and exclude the Chinese from exercising hegemony. The pro-Korean North Koreans feel that Korean nationalism has been sold out and resent having to take orders regarding the Kaesong negotiations from a "joint Soviet-Chinese Communist political mission."

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Comment: Certain assumptions inherent in this report make it suspect as anything but opinion. The high degree of both centralized and decentralized control already exercised by the Soviet Union over all facets of North Korean life casts doubt on the assumption of the existence of a significant Korean nationalist group at the command level. Further, it is doubtful that Chinese "volunteers" intervened in Korea in order to obtain "benefits" of Chinese domination of Korea. This report further accepts the still unconfirmed thesis of a European "volunteer" force, which, even if it existed, could hardly assure Soviet ascendancy in North Korea if the Chinese Communists were genuinely attempting to prevent it.

Available evidence suggests the probability that the Sino-Korean-Soviet command, with the USSR recognized as the senior partner, is united on major policy matters.

12. Soviet and European Satellite troops reported in Korea: [REDACTED]

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[REDACTED] 6,000 "Georgian" troops, predominantly field and anti-aircraft artillerymen, arrived in Korea on 15 August; approximately 10,000 "non-Oriental" troops, including 3,000 "European Cominform Volunteers,"

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were in North Korea on 26 August; and "Georgian" artillery units with rocket launchers and "150 mm guns" were located north of Kaesong and Chorwon on 26 August. These artillery units included Hungarians and Yugoslavs. (S

Comment: The presence of several thousand Soviet troops, possibly including "Georgian" personnel, is accepted in Korea. These are believed to be serving in an advisory and technical capacity, and in some instances as anti-aircraft artillery crews. There is no confirmation of the existence of "European Cominform Volunteers" in Korea or in fact that such volunteers have left Eastern Europe. Also, there is no evidence that non-Oriental personnel are manning field artillery pieces in the forward combat areas of Korea.

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SECTION 3 (WESTERN)

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2. FRANCE. Strike threat endangers French Cabinet: The strike committee representing the five major labor organizations in the Paris transport system decided unanimously Monday to request salary increases considerably beyond the 15 percent minimum wage boost just approved by the government. This prompt reaction by the committee which led the successful transport strike last spring may foreshadow active union opposition to the new wage scale. (C Paris 157, 11 Sep 51)

Comment: The serious position in which the Plevin cabinet is placed by this move is aggravated by the fact that the Gaullists have combined with the Socialists and the Communists to force a debate, scheduled for 14 September, on the government's wage and price policy. The cabinet's position has been considerably weakened by Socialist bitterness over approval of financial aid to church schools, and it may now be obliged to depend on Gaullist support to survive a vote on its wage policy. Gaullist support, however, can be counted on only until the school-aid bill has passed its final reading, probably about 18 September.

The situation is most favorable for the Communist "unity-of-action" drive, whose ultimate aim is the disruption of the French defense effort.

3. AUSTRIA. Communists protest secret Austrian army: Austria's Communist press continued its denunciation of US military activities in the Western

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zones with a strong blast against the alleged creation of a secret 8000-man Austrian army. The most recent tirade from Vienna's leading Communist newspaper is derived from a report printed in a US-licensed Berlin newspaper allegedly affirming that Austria is being rapidly converted into an Alpine fortress with strong fortifications along her southern borders and with a new Austrian army covertly organized within the Austrian gendarmerie. Declaring that the Austrian Ministry of Interior is in effect a war ministry receiving commands from General Eisenhower, the paper warns that the re-arming of Austria will not only jeopardize the state treaty, but will also involve Austria in unforeseeable consequences. (P Vienna 948, 10 Sep 51)

Comment: The Communist press has exploited the "remilitarization-of-Austria" issue to the full, protesting every manifestation of military activity in the Western zones as US efforts to incorporate Austria into its aggressive plans. Any reference in any publication suggesting official US views will be utilized as evidence in support of their charges. Association of the state treaty with the denunciation of alleged remilitarization indicates the ease with which new and old excuses may be employed to prevent ultimate agreement on the Austrian settlement, if the Soviets desire to do so.

4. BELGIUM. Shipyard reports progress on Soviet orders: [redacted] 25X1C
- 25X1C [redacted] the first of the cargo ships being constructed for the USSR made its trial run in June 1951, and that the Belgian shipyard concerned is unwilling to make adjustments on the ship as requested by the Russians. One of seven trawlers for the USSR was due to be delivered at the end of June 1951. Another Belgian shipyard will probably begin the repair and refitting of a USSR icebreaker in the near future.
- 25X1A [redacted]

Comment: The first of five 3100-gross-ton cargo vessels was reported as nearly complete in February 1949. The delivery date is 1951 for the cargo ships as well as for the seven 240-foot trawlers of about 1500 tons each.

The USSR has been unsuccessful in placing orders in West European ship-building countries for large ocean-going vessels and ships requiring extra-heavy steel plates.

5. PORTUGAL. Nation may not block NATO membership of Greece and Turkey: Prior to his departure for the Ottawa conference, the Portuguese Foreign Minister informed the US Ambassador in Lisbon that his government still feels that the full admission of Greece and Turkey to NATO is undesirable. He mentioned the possibility of inclusion of Greece and Turkey in NATO with the proviso that other member nations would not be committed to defend these nations

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in case of attack. He gave the impression, however, that he is not instructed to carry his objections at the Ottawa conference to the point of intransigence.

Comment: Portugal has consistently advocated a Mediterranean pact which would include Greece and Turkey and provide a basis for the eventual integration of Spain. The Mediterranean pact would, in the Portuguese view, effectively interlock with NATO through the Portuguese-Spanish Iberian defense pact.

The Lisbon government is concerned about the gap in Portugal's defenses caused by its militarily weak Spanish neighbor. Current negotiations for a bilateral US-Spanish military agreement have somewhat quieted Portugal's apprehensions.

6. SCANDINAVIA. Social Democratic youth leaders adopt "Third Force" resolution: The Scandinavian Social Democratic youth leaders from Copenhagen, Oslo, Gøteborg, and Stockholm adopted at a recent meeting a resolution urging Scandinavian labor to pursue an "independent course in the power struggle between international capitalism and Soviet communism," and urged opposition to "any attempt to hinder free East-West trade as this would increase tension between present great power blocs."

The US Embassy in Stockholm sees this resolution as reflecting the influence of the "third standpoint" thesis expounded recently by certain labor intellectuals in the Swedish Social Democratic newspaper Morgen-Tidningen. (C Stockholm, Joint Weeka 36, 8 Sep 51)

Comment: Swedish Social Democratic youth, who are firm supporters of neutrality, apparently exercised a strong influence over the sessions of the youth group. The resolution nevertheless serves as a reminder that, although Danish and Norwegian labor party leaders as well as a majority of their rank and file support NATO, there are still important elements within all the Scandinavian parties which harbor strong suspicions of American capitalism and maintain some latent neutrality sentiment.

7. ARGENTINA. Lack of Iranian crude creates serious petroleum shortage: The government has restricted industrial consumption of fuel and Diesel oil to 80 percent of 1950's consumption. Power plants, cement factories, and transportation facilities are exempted from the restriction. Some priority industries will be allowed additional fuel oil if destined to increase production during normal working hours, but no industry will be allotted fuel for added working hours or new production shifts. Since the heavy requirements of transportation and power-producing companies are relatively inflexible, the cut in fuel oil supplies will probably reduce industrial production. (C Buenos Aires, Weeka No 9, 30 Aug 51)

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Comment: Suspension of imports of Iranian crude oil affects fuel oil supplies primarily, because fuel oil produced from domestic crudes is too viscous for use unless mixed with fuel oil produced from imported crudes. Fifty percent of Argentine imports of crude oil, or 25 percent of its total requirements, has been coming from Iran. Argentine officials hope that the British petroleum industry, perhaps with US cooperation, will ease the situation by allocating crude oil supplies from other sources, preferably sterling.

8. Diplomatic relations with Germany resumed: Diplomatic relations are being resumed between Argentina and the German Federal Republic. President Peron has issued a decree agreeing to the appointment of a German Ambassador and Minister Plenipotentiary in Buenos Aires. Herr Hermann Terdenge has been appointed to the post. (R FBIS-Radio Buenos Aires, 11 Sep 51)

Comment: In August the Argentine Congress passed a bill to end the state of war between Germany and Argentina.

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Approved For Release 2002/05/20 : CIA-RDP79T01146A000400140001-3

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**S/S CABLE SUPPLEMENT**

**TO THE DAILY DIGEST**

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SECTION 2 (EASTERN)

1. JAPAN. Communists fail in efforts to organize demonstrations against Peace Conference: Japanese Communist efforts to inspire a strike wave beginning 1 September in protest against the San Francisco Conference failed, according to the Acting US Political Advisor in Tokyo. Strikes called by automobile industry and metal workers' unions brought little response from their various chapters. There was little evidence of Communist attempts to infiltrate peace rallies, and such rallies as were held were without incident. (C, S/S Tokyo 524, 11 Sep 51).

Comment: Suspension of Communist publications, arrest of a number of those ranking Communist leaders still above ground and general police alertness probably were responsible for this lack of activity.

SECTION 3 (WESTERN)

2. FRANCE. French oppose US proposal for revision of Italian peace treaty: The French are still very dubious about the procedure proposed by the US for revision of the Italian peace treaty, which is "revision by agreement." They prefer a "benevolent unilateral renunciation of certain rights" (in this case, rights to prohibit certain activities), between which and "revision by agreement" they profess to see an important distinction.

It is probable that Foreign Minister Schuman will have suggested in Washington a procedure involving three stages. First, a tripartite declaration would be made that steps should be taken to afford Italy relief from the treaty's military clauses. Next, this declaration would be submitted to the UN General Assembly for approval. Finally, individual communications approving the tripartite declaration and indicating what treaty rights they would renounce would be sent to Italy by the US, UK, France and other treaty signatories who wish to do so. (S, S/S Paris 1529, 8 Sep 51).

Comment: The Italians are anxious to have the entire peace treaty abrogated and replaced by bilateral treaties as a step toward restoring Italy to a position of complete parity in the family of nations. Consequently, they may be expected to oppose the French proposal, which is undoubtedly an attempt to weaken the validity of anticipated Soviet objections to abrogation of the treaty in whole or in part.

3. UNITED KINGDOM. British tell Acheson rearmament program is imperiled by economic crisis: The deteriorating British economic picture received the main emphasis at the general US-UK talks on 11 September. Chancellor of

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the Exchequer Gaitskell indicated that Britain would be unable to continue its 4.7 billion-pound rearmament program without US "cooperation." He made specific mention of the higher prices Britain must now pay for imports.

Emphasizing that the UK was "up against it," Gaitskell asserted that, since the problem was a general European one, the French should be brought in on discussion of this matter prior to the Ottawa NATO meetings. (S, S/S to London 1444, 12 Sep 51).

Comment: Gaitskell made no specific suggestions for additional US "cooperation," but on several occasions recently the British have dropped hints for larger American contributions to their rearmament effort.

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